

## Message Text

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ORIGIN EB-08

INFO OCT-01 ARA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 DOE-11 H-01 INR-10 INT-05 L-03  
NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02  
SS-15 STR-07 TRSE-00 ACDA-12 /117 R

DRAFTED BY EB/IFD/OIA:DVGRANT:VB  
APPROVED BY ARA:R ARELLANO  
ARA/ECP:J HENNEKE (DRAFT)  
ARA/CAR:R SURBER (DRAFT)  
EB/ORF/FSE:J TODD (INFO)  
-----052316 101524Z /43  
R 100331Z MAR 78  
FM SECSTATE WASHDC  
TO AMEMBASSY KINGSTON

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E.O. 11652: N/A

TAGS: EINV, JM

SUBJECT: MEETING WITH EXXON OFFICIALS

1. SUMMARY: EXXON OFFICIALS CALLED AT DEPARTMENT MARCH 7 TO REPORT ON EXXON DIFFICULTIES WITH GOJ OVER PETROLEUM PRICING AND PROFIT REMITTANCES FOR COMPANY'S JAMAICA REFINERY. EXXON OFFICIALS DID NOT REQUEST USG INTERVENTION AT THIS TIME, BUT ARE HOPEFUL NEGOTIATED SETTLEMENT OF PROBLEM WITH GOJ CAN STILL BE WORKED OUT. END SUMMARY.

2. EXXON VP FOR CARIBBEAN MAX KUNIANSKY MET MARCH 7 WITH DEPUTY ASST. SEC. ARELLANO AND OTHER DEPARTMENT OFFICERS TO REPORT ON DIFFICULTIES WITH COMPANY'S JAMAICA REFINERY, WHICH IS COUNTRY'S MAJOR SOURCE OF REFINED PRODUCTS.

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MR. KUNIANSKY WAS ACCOMPANIED BY EXXON VP FOR FOREIGN AFFAIRS ALPHEUS JESSUP, TREASURER FOR CARIBBEAN CHRIS HARDESTY, AND JAMAICA MANAGER THOMAS POINDEXTER.

3. ACCORDING TO EXXON OFFICIALS, REFINERY HAS BECOME UNPROFITABLE DUE TO GOJ'S FAILURE TO GRANT PERIODIC PRICE INCREASES. FOR EXAMPLE, IN 1977 EXXON IMPORTED DOLS 135

MILLION OF CRUDE FOR REFINING INTO PRODUCTS SOLD FOR ONLY DOLS 136 MILLION. EXXON OFFICIALS NOTED COMPANY IS WILLING

TO CONTINUE OPERATION OF REFINERY, BUT DUE TO UNPROFITABILITY, SCARCE RESOURCES (SUCH AS EXPATRIATE TECHNICAL PERSONNEL) ARE LIKELY TO BE EMPLOYED IN EXXON OPERATIONS ELSEWHERE. EXXON'S 1962 CONTRACT WITH GOJ PERMITS PRICE REVISIONS IN CASE OF "ECONOMIC HARDSHIP" TO OPERATOR, BUT INCREASES ARE ONLY POSSIBLE BY MUTUAL AGREEMENT OF BOTH PARTIES. GOJ HAS THUS FAR RESISTED ANY PETROLEUM PRICE INCREASES, CITING COUNTRY'S SHAKY ECONOMIC SITUATION.

4. SECOND PROBLEM IS GOJ'S REFUSAL TO PERMIT EXXON TO REMIT FUNDS BUILT UP IN LOCAL BANK ACCOUNT. BALANCE HAS AVERAGED DOLS 9 MILLION DURING PAST FOURTEEN MONTHS AND IS CURRENTLY DOLS 14 MILLION. WHILE EXXON HAS TREATED FUNDS AS "LOAN" TO GOJ AND CHARGED INTEREST FOR BRIEF PERIOD, EXXON HAS DISCONTINUED THIS PRACTICE. IN VIEW OF COUNTRY'S LIMITED FOREIGN EXCHANGE AND ECONOMIC DIFFICULTIES OF REFINERY, DURING PAST FEW MONTHS EXXON BEGAN DELIVERY OF CRUDE ON CASH BASIS ONLY; HOWEVER, EXXON OFFICIALS REPORTED GOJ IS CLAIMING THIS REQUIREMENT IMPOSES INTOLERABLE HARDSHIP FOR COUNTRY AND GOVERNMENT NOW WILLING TO PAY ONLY HALF IN CASH.

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5. DURING WEEK OF FEBRUARY 27, EXXON OFFICIALS CALLED UPON THEN DEPUTY PM DAVID COORE TO REPORT ON COMPANY'S DIFFICULTIES AND TO PROPOSE PRICE INCREASE AS SOLUTION. (COMPANY IS ASKING FOR 15 PERCENT RETURN AFTER TAXES ON WRITTEN DOWN INVESTMENT OF ABOUT DOLS 35 MILLION, I.E., APPROXIMATELY 5 CENTS MORE PER GALLON OF GASOLINE. HOWEVER, THIS NEED NOT NECESSARILY RESULT IN HIGHER PRICE AT PUMP. EXXON OFFICIALS NOTED THAT SINCE GOJ EXCISE TAXES AMOUNT TO ABOUT DOL 1.25 PER GALLON, GOJ COULD EASILY ABSORB SMALL PRICE INCREASE.) ACCORDING TO EXXON, COORE LISTENED SYMPATHETICALLY AND PROMISED TO REPLY AFTER STUDYING PROPOSAL. HOWEVER, HIS DISMISSAL SHORTLY AFTER THE MEETING RULED OUT ANY IMMEDIATE GOJ ACCEPTANCE OF EXXON PROPOSAL.

6. IN MEANTIME, ACCORDING TO EXXON, GOJ SENT JAMAICAN AMBASSADOR RATTRAY TO NEW YORK TO MEET WITH EXXON BOARD MEMBER JACK BENNET. EXXON REPORTED THAT RATTRAY TOOK LINE THAT EXXON WAS PUSHING AROUND A SMALL COUNTRY, AND A LARGE MNC LIKE EXXON COULD EASILY AFFORD TO FOREGO A PRICE INCREASE FOR ITS REFINERY. BENNETT REPORTEDLY LISTENED COURTEOUSLY TO RATTRAY'S LENGTHY PRESENTATION,

BUT IN LATER CONVERSATIONS WITH HIS EXXON COLLEAGUES  
EXPRESSED ANGER THAT GOJ ATTEMPTED "END RUN" IN NEW YORK  
WHILE CONDUCTING NEGOTIATIONS WITH COMPANY IN KINGSTON.

7. DURING MEETING WITH ARELLANO, EXXON OFFICIALS ASSERTED  
THAT PETROLEUM PRICE INCREASE WOULD UNDERSTANDABLY BE  
POLITICALLY DISTASTEFUL TO GOJ AT THIS TIME; HOWEVER,  
COMPANY FEELS PM MANLEY COULD EASILY OBTAIN ACCEPTANCE OF  
HIGHER PRICES BY JAMAICAN PEOPLE IF HE CHOSE TO DO SO.  
EXXON OFFICIALS NOTED ONE WAY OF SOFTENING PUBLIC IMPACT  
OF PRICE INCREASE WOULD BE FOR GOJ TO ANNOUNCE EXXON HAS  
GRANTED INTEREST-FREE "LOAN" OF DOLS 9 MILLION. EXXON  
CONTINUES TO HOLD OUT HOPE FOR NEGOTIATED SETTLEMENT OF  
PROBLEM, BUT NOTES THAT COMPANY COULD ALSO RESORT TO  
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ARBITRATION PROVISIONS OF 1962 CONTRACT; HOWEVER, ARBITRA-  
TION WOULD REQUIRE AGREEMENT OF GOJ, WHICH EXXON BELIEVES  
IS UNLIKELY. EXXON STATED THAT OF COURSE IT WOULD BE  
POLITICALLY UNACCEPTABLE FROM STANDPOINT OF WORLD OPINION  
TO CUT OFF DELIVERY OF CRUDE IN ORDER TO BRING LEVERAGE  
ON GOJ, BUT DID NOT RULE OUT A SLOWDOWN IN DELIVERY OF  
CRUDE.

8. EXXON OFFICIALS NOTED THAT THEY WERE NOT REQUESTING  
USG INTERVENTION AT THIS TIME, BUT ONLY WANTED TO BRING  
PROBLEM TO OUR ATTENTION. EXXON BELIEVES GOJ EXPROPRIA-  
TION OF REFINERY IS UNLIKELY AT THIS TIME, BUT NOTED THAT  
GOJ COULD CREATE BAD PUBLICITY FOR EXXON IN JAMAICAN  
PRESS IF IT CHOSE TO DO SO. ARELLANO EXPRESSED APPRECI-  
ATION FOR THE REPORT, AND SUGGESTED EXXON KEEP EMBASSY  
KINGSTON INFORMED OF DEVELOPMENTS. EXXON MANAGER POIN-  
DEXTER NOTED THAT HE IS BRIEFING AMBASSADOR IRVING RE  
SITUATION ON BI-WEEKLY BASIS.

9. ACTION REQUESTED: WOULD APPRECIATE EMBASSY'S CLOSE  
ATTENTION TO SITUATION AND REPORTING DEVELOPMENTS  
WHENEVER APPROPRIATE. VANCE

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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM INDUSTRY, MEETINGS, REFINERIES, PRICES, NEGOTIATIONS  
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**Copy:** SINGLE  
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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Disposition History:** n/a  
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**TAGS:** EINV, ENRG, JM, US, EXXON  
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**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
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